



Senate

General Assembly

File No. 845

January Session, 2011

Substitute Senate Bill No. 1019

Senate, May 26, 2011

The Committee on Environment reported through SEN. MEYER of the 12th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT AUTHORIZING A BUYER'S CONVEYANCE TAX ON REAL PROPERTY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective from passage*) (a) A municipality may
2 impose a buyer's tax on the conveyance of real property, occurring on
3 or after July 1, 2011, at the rate of not more than one per cent of the
4 consideration paid by the buyer in excess of one hundred fifty
5 thousand dollars. Such tax may be retained by the municipality, shall
6 be kept in a separate account and shall be used for any of the following
7 purposes: (1) Purchase of development rights related to or the
8 purchase of open space land, forest land, farm land or waterfront
9 property by the municipality or by the municipality in cooperation
10 with the state or federal government or with a private organization
11 such as a land trust, (2) brownfield remediation, (3) water treatment
12 and storm sewers, (4) clean air projects, (5) energy conservation, (6)
13 alternative transportation infrastructure, (7) historic preservation, or
14 (8) green building retrofits.

15 (b) Conveyances resulting in the preservation of open space land,
16 forest or farm land shall be exempt from any tax imposed pursuant to
17 the provisions of subsection (a) of this section.

18 (c) The tax imposed by subsection (a) of this section shall not apply
19 to any deeds, transfers or conveyances enumerated in subsection (a) of
20 section 12-498 of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

ENV *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 12 \$	FY 13 \$
Various Municipalities	Potential Revenue Gain	Up to 95 million in aggregate	Up to 95 million in aggregate

Explanation

A potential aggregate revenue gain of up to \$95 million would be anticipated to result should all municipalities choose to impose a buyer's tax of one percent (1%) on the consideration paid in excess of \$150,000 on the conveyance of real property (other than conveyances resulting in the preservation of open space, forest or farm land). This estimate is based upon taxable real estate transactions from July 2009 through June 2010.

Lesser revenues would be generated to the extent that certain communities would not opt to institute the tax and/or select a tax rate less than 1%.

Use of the tax collections would be restricted to the eight purposes enumerated in the bill.

The Out Years

State Impact: None

Municipal Impact:

The annualized ongoing fiscal impact identified above would continue into the future subject to municipal participation and the

value of land conveyances.

OLR Bill Analysis**sSB 1019*****AN ACT AUTHORIZING A BUYER'S CONVEYANCE TAX ON REAL PROPERTY.*****SUMMARY:**

With certain exemptions, this bill authorizes a municipality to impose a conveyance tax on buyers of real property, for sales on or after July 1, 2011, of up to 1% on the amount of consideration paid in excess of \$150,000. The tax appears to be in addition to the existing state real estate conveyance tax of 0.5% or 1% depending on the total sales price and type of property and the municipal tax of 0.25% or 0.5% depending on the town where the property is located.

The bill imposes the new tax on the buyer, while the existing state and municipal taxes are paid by the seller. Towns must keep the revenue from the tax in a separate account and use it only for certain specified purposes.

The bill exempts from the tax (1) conveyances to preserve open space, forest, or farm land and (2) any deeds, transfers, or conveyances that are exempt from the existing state and municipal taxes, such as deeds used to secure a debt.

EFFECTIVE DATE: Upon passage

USES FOR TAX REVENUE

The bill requires towns to use the revenue from the tax for any of the following:

1. buying, either by themselves or in cooperation with the state, federal government, or with a private organization such as a land trust, (a) open space land, forest land, farm land, or

- waterfront property or (b) development rights relating to such land or property;
2. brownfield remediation;
 3. water treatment and storm sewers;
 4. clean air projects;
 5. energy conservation;
 6. alternative transportation infrastructure;
 7. historic preservation; or
 8. green building retrofits.

BACKGROUND

Real Estate Conveyance Tax

With some exceptions, Connecticut law requires a person who sells real property for \$2,000 or more to pay a real estate conveyance tax when he or she conveys the property to the buyer. The tax has two parts: a state tax and a municipal tax. The applicable state and municipal rates are added together to get the total tax rate for a particular transaction.

In addition to the basic municipal tax rate of 0.25%, 18 towns have the option of levying an additional tax of up to 0.25%. The 18 towns are: Bloomfield, Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Waterbury, and Windham.

Related Act

PA 11-6, An Act Concerning the Budget for the Biennium Ending June 30, 2013, increased state real estate conveyance tax rates by 0.25% starting with conveyance on or after July 1, 2011.

Legislative History

The Senate referred the bill (File 167) to the Environment Committee, which reported a substitute that removed provisions concerning deadlines for the Department of Environmental Protection to act on permits and automatic approval of such permits, and replaced them with the provisions concerning the real estate conveyance tax.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 14 Nay 3 (03/08/2011)

Environment Committee

Joint Favorable Substitute

Yea 16 Nay 12 (05/17/2011)